

JORDAN VALLEY SUPPORTED EMPLOYMENT

FINANCIAL STATEMENTS

JUNE 30, 2005 and 2004

JORDAN VALLEY SUPPORTED EMPLOYMENT

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► Lake, Hill & Myers

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

December 7, 2005

To the Board of Directors of
Jordan Valley Supported Employment

We have audited the accompanying statements of financial position of Jordan Valley Supported Employment (a nonprofit organization) as of June 30, 2005 and 2004 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jordan Valley Supported Employment as of June 30, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2005 on our consideration of Jordan Valley Supported Employment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of audits performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Lake, Hill & Myers

JORDAN VALLEY SUPPORTED EMPLOYMENT

STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Current assets:		
Cash	\$ 98,484	\$ 74,247
Accounts receivable	89,935	77,998
Investment	203,400	191,711
Prepaid insurance	<u>4,268</u>	<u>4,231</u>
Total current assets	<u>396,087</u>	<u>348,187</u>
Property and equipment:		
Furniture and equipment	52,025	47,841
Less accumulated depreciation	<u>(42,917)</u>	<u>(39,833)</u>
Net property and equipment	9,108	8,008
Security deposit	<u>1,375</u>	<u>1,500</u>
	<u>\$406,570</u>	<u>\$357,695</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 19,667	\$ 17,074
Accrued expenses	<u>38,441</u>	<u>32,744</u>
Total current liabilities	<u>58,108</u>	<u>49,818</u>
Net assets:		
Unrestricted	306,245	265,660
Unrestricted - board designated	<u>42,217</u>	<u>42,217</u>
Total net assets	<u>348,462</u>	<u>307,877</u>
	<u>\$406,570</u>	<u>\$357,695</u>

See notes to financial statements.

JORDAN VALLEY SUPPORTED EMPLOYMENT

STATEMENT OF ACTIVITIES

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Revenues and other support:		
Government contracts	\$1,001,165	\$ 968,073
Contributions	2,318	2,600
Interest and dividend income	11,743	9,514
Other	<u>18,685</u>	<u>13,574</u>
	<u>1,033,911</u>	<u>993,761</u>
Expenses:		
Program services - supported employment	841,139	852,994
Management and general	152,187	154,684
Fundraising	<u>-</u>	<u>-</u>
	<u>993,326</u>	<u>1,007,678</u>
Increase (decrease) in unrestricted net assets	40,585	(13,917)
Unrestricted net assets at beginning of year	<u>307,877</u>	<u>321,794</u>
Unrestricted net assets at end of year	<u>\$ 348,462</u>	<u>\$ 307,877</u>

See notes to financial statements.

JORDAN VALLEY SUPPORTED EMPLOYMENT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2005

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Supported</u>	<u>Management</u>		
	<u>Employment</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$623,991	\$110,116	\$ -	\$734,107
Payroll taxes and benefits	118,295	20,875	-	139,170
Contracted services	1,115	197	-	1,312
Travel	32,718	5,774	-	38,492
Rent	16,086	2,839	-	18,925
Professional fees	5,634	994	-	6,628
Supplies	4,734	835	-	5,569
Insurance	3,269	3,268	-	6,537
Telephone	28,869	5,095	-	33,964
Training	1,190	-	-	1,190
Depreciation	1,542	1,542	-	3,084
Other	<u>3,696</u>	<u>652</u>	<u>-</u>	<u>4,348</u>
Total	<u>\$841,139</u>	<u>\$152,187</u>	<u>\$ -</u>	<u>\$993,326</u>

See notes to financial statements.

JORDAN VALLEY SUPPORTED EMPLOYMENT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2004

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Supported</u>	<u>Management</u>		
	<u>Employment</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$631,745	\$111,484	\$ -	\$ 743,229
Payroll taxes and benefits	115,585	20,397	-	135,982
Contracted services	406	72	-	478
Travel	32,574	5,748	-	38,322
Rent	16,320	2,880	-	19,200
Professional fees	5,677	1,002	-	6,679
Supplies	3,958	699	-	4,657
Insurance	3,734	3,733	-	7,467
Telephone	27,064	4,776	-	31,840
Training	1,620	-	-	1,620
Depreciation	1,661	1,661	-	3,322
Other	<u>12,650</u>	<u>2,232</u>	<u>-</u>	<u>14,882</u>
Total	<u>\$852,994</u>	<u>\$154,684</u>	<u>\$ -</u>	<u>\$1,007,678</u>

See notes to financial statements.

JORDAN VALLEY SUPPORTED EMPLOYMENT

STATEMENT OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from contributions and government contracts	\$1,010,231	\$ 995,186
Interest received	11,743	9,514
Cash paid to vendors, suppliers and employees	<u>(981,864)</u>	<u>(1,005,346)</u>
Net cash provided by (used in) operating activities	<u>40,110</u>	<u>(646)</u>
Cash flows from investing activities:		
Purchase of equipment	(4,184)	(2,625)
(Increase) decrease in investment	<u>(11,689)</u>	<u>33,536</u>
Net cash provided by (used in) investing activities	<u>(15,873)</u>	<u>30,911</u>
Net increase in cash	24,237	30,265
Cash at beginning of year	<u>74,247</u>	<u>43,982</u>
Cash at end of year	<u>\$ 98,484</u>	<u>\$ 74,247</u>
Reconciliation of increase (decrease) in net assets to cash provided by (used in) operating activities:		
Increase (decrease) in net assets	\$ 40,585	\$ (13,917)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,084	3,322
(Increase) decrease in accounts receivable	(11,937)	10,939
Increase in prepaid expenses	(37)	(2,835)
Decrease in security deposit	125	-
Increase in accounts payable	2,593	5,086
Increase (decrease) in accrued expenses	<u>5,697</u>	<u>(3,241)</u>
Net cash provided by (used in) operating activities	<u>\$ 40,110</u>	<u>\$ (646)</u>

See notes to financial statements.

JORDAN VALLEY SUPPORTED EMPLOYMENT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Jordan Valley Supported Employment (the Organization) is a nonprofit corporation organized under the laws of the state of Utah to provide supported employment services to eligible handicapped adults in Salt Lake County in the State of Utah.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and accrued liabilities.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted - accounts for unrestricted assets (net of related liabilities) available for support of the Organization's operations. Assets designated by the Board of Directors for a specific purpose also are accounted for in this category.

Temporarily Restricted - accounts for resources currently available for use, but expendable only for purposes specified by the donor.

Permanently Restricted - accounts for gifts requiring that the principal be invested in perpetuity with income only from such investments available for use in accordance with the donors' stipulations.

Property and Equipment

Property and equipment are recorded at acquisition cost or, where donated, at estimated market value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Nonprofit Status

The Organization was organized as a nonprofit corporation in accordance with the laws of the State of Utah and is exempt from federal income taxation under provisions of Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

The Organization considers all short-term cash investments with original maturity dates of three months or less to be cash equivalents.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are directly classified to that program or service. Other expenses that are common to multiple functions are allocated on a reasonable and systematic basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

Amounts for donated services are reflected in the financial statements only if the services create or enhance nonfinancial assets. The Organization pays for most services requiring specific expertise. No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments. The value of these services is not reflected in the financial statements.

NOTE 2 - INVESTMENT:

At June 30, 2005 and 2004, the Organization had an investment totaling \$203,400 and \$191,711, respectively, in a GNMA Portfolio-Vanguard Fixed Income Securities Fund. This investment is recorded at market value and the dividend earnings and change in market value have been reflected in the accompanying statement of activities and changes in net assets.

NOTE 3 - UNRESTRICTED NET ASSETS:

\$42,217 of unrestricted net assets has been designated by the board of directors for use in certain specified purposes.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

Financial instruments which potentially expose the Organization to concentrations of credit risk are as follows:

Investment

The Organization has an investment at June 30, 2005 and 2004 of \$203,400 and \$191,711, as described in Note 2. The market value of this investment is subject to change based on changes in interest rates and other market conditions and is not federally insured.

Cash

At June 30, 2005, the Organization has \$4,090 in a money market account that is not federally insured.

The Organization receives substantially all its revenue from one funding source as more fully described in Note 5.

NOTE 5 - SIGNIFICANT CUSTOMER:

All of the Organization's government contract revenue is from two contracts with the State of Utah. These contracts comprised 84 and 13 percent, respectively, of total revenues for the years ended June 30, 2005 and 2004.

NOTE 6 - REIMBURSEMENT ARRANGEMENT:

The Organization's director receives her salary and benefits through a local school district. The Organization reimburses the school district monthly for the amount of salary and benefits paid to and on behalf of the Organization's director. Reimbursement payments to the school district for pension plan contributions made by the school district on behalf of the Organization's director totaled \$7,679 and \$6,791 during the years ended June 30, 2005 and 2004.

NOTE 7 - COMMITMENTS:

The Organization signed a lease for office space in May 2005. This lease required monthly payments of \$1,375. Subsequent to year end this lease was cancelled and a new lease for office space was signed. This new lease requires monthly payments of \$1,200 and expires October 2007. Rent expense totaled \$18,925 and \$19,200 for the years ended June 30, 2005 and 2004, respectively.

Future minimum rental commitments related to the long-term office leases are as follows:

Year ending June 30,

2006	\$14,925
2007	14,400
2008	<u>3,600</u>
	<u>\$32,925</u>

NOTE 8 - RELATED PARTY TRANSACTION:

A member of the Board of Directors provides certain accounting services to the Organization at no cost.

NOTE 9 - DEFINED CONTRIBUTION RETIREMENT PLAN:

The Organization sponsors a defined contribution retirement plan (the Plan). All full-time employees, after 90 days of service, are eligible to participate in the Plan. The Organization makes matching contributions on behalf of eligible employees, after 5 years of service by the employee. During each of the years ended June 30, 2005 and 2004, the Organization made matching contributions to the Plan of \$600.

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE LEGAL COMPLIANCE

December 7, 2005

To the Board of Directors of
Jordan Valley Supported Employment

We have audited the financial statements of Jordan Valley Supported Employment, for the year ended June 30, 2005, and have issued our report thereon dated December 7, 2005. As part of our audit, we have audited Jordan Valley Supported Employment's compliance with the requirements of the provider contract determined to be a major state assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. Jordan Valley Supported Employment received the following major State assistance program from the State of Utah:

Department of Human Services
Division of Service for People with Disabilities
Contract #A00564

The management of Jordan Valley Supported Employment is responsible for its compliance with all compliance requirements of the contract identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements of the contract referred to above occurred. An audit includes examining, on a test basis, evidence about Jordan Valley Supported Employment's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Jordan Valley Supported Employment complied, in all material respects, with the requirements of the provider contract identified above for the year ended June 30, 2005.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 7, 2005

To the Board of Directors of
Jordan Valley Supported Employment

We have audited the financial statements of Jordan Valley Supported Employment (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated December 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jordan Valley Supported Employment's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Jordan Valley Supported Employment's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal controls and administrative efficiencies, which we have reported to management of Jordan Valley Supported Employment in a separate letter dated December 7, 2005.

This report is intended solely for the information and use of the audit committee, management, and others within the organization and is not intended to be used and should not be used by anyone other than these specified parties.

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December 7, 2005

To the Management and Board of Directors of
Jordan Valley Supported Employment

In planning and performing our audit of the financial statements of Jordan Valley Supported Employment for the year ended June 30, 2005, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of two matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 7, 2005 on the financial statements of Jordan Valley Supported Employment.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Billing Procedures

In each of the two months of billings selected for testing, we noted one instance of client hours being billed to both the Department of Human Services and the Division of Rehabilitation. Both instances were brought about by the Division of Rehabilitation requesting that the Organization bill out all remaining hours, even when the hours had not yet been worked by the client. This advance billing was not adequately tracked by the Organization. While the billing amounts in question were minor, we recommend that procedures be implemented to ensure that client hours are billed only once or that invoices sent to the Division of Rehabilitation are only for actual client hours worked.

Management's Response

We concur with the recommendation and will no longer do advanced billing of hours to the Division of Rehabilitation. Only hours that have actually been worked by the client will be billed.

Segregation of Duties

Essentially all of the mail is opened by the Office Manager, who also deposits monies received and records the amounts in the general ledger. We recommend that another member of the Organization's staff open the mail and list out all monies received, or at a minimum have another staff member accompany the Office Manager when mail is opened and make a list of all monies received.

Management's Response

We concur with the recommendation and will have another member of our staff assist the Office Manager in opening the mail.

We wish to thank the Executive Director and Office Manager for their support and assistance during our audit.

These comments and recommendations are intended solely for the information and use of the Board of Directors, management, and others within the Organization and should not be used by anyone other than these specified parties.

Lake, Hill & Myers